



What's New in HR Law

Federal Government Sheds Light on Temporary Wage Subsidies for Small Businesses

March 24, 2020

COVID-19 Update

On March 18, 2020, the Federal Government announced its [COVID-19 Economic Response Plan](#) which includes significant measures to assist both workers and businesses affected by the COVID-19 outbreak.

When the Response Plan was announced, the Government's intention to introduce a temporary wage subsidy for small businesses attracted particular attention. Employers sought to determine whether they would be eligible and, if so, what other conditions may be applicable. Now, the Canada Revenue Agency (CRA) has provided clarification by way of a detailed ["Frequently Asked Questions" document](#). Here is what you need to know.

This update is for general discussion purposes and does not constitute legal advice or an opinion.

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Which Employers are Eligible?

Eligible employers are non-profit organizations, registered charities, or Canadian-controlled private corporations (CCPCs) that have an existing business number and account with the CRA as of March 18, 2020, and that pay some form of remuneration to at least one employee.

Importantly, CCPCs are eligible for the subsidy only if their taxable capital employed in Canada for the preceding taxation year, calculated on an associated group basis, is less than \$15 million. In other words, the wage subsidy will apply only to CCPCs that already qualify for the small business deduction. Non-profit organizations and registered charities are not required to stay below the \$15 million threshold.

How Much is the Subsidy and How is it Calculated?

The subsidy is equal to 10% of the total remuneration paid to employees between March 18, 2020 and June 20, 2020, up to \$1,375 per employee and to a maximum of \$25,000 total per employer.

For example, if a business has 3 employees, the maximum subsidy the business can receive is \$4,125. If a business has 19 or more employees, the maximum subsidy the business can receive will be \$25,000.

The subsidy is calculated manually. Accordingly, employers must determine the amount of remuneration paid to employees and then calculate the value of 10% of that amount. For example, if a business has 5 employees earning monthly salaries of \$4,100 for a total monthly payroll of \$20,500, the subsidy would be 10% of \$20,500, or \$2,050 for that month.

How is the Subsidy Distributed?

The subsidy is distributed by way of a reduction of income tax remittances. Once the wage subsidy is calculated, employers can reduce their current remittance of federal, provincial, or territorial income tax by the amount of the subsidy.

Importantly, employers cannot reduce their remittance of Canada Pension Plan contributions or Employment Insurance premiums

Income tax remittances can be reduced for any remittance period that includes remuneration paid between March 18, 2020 and June 20, 2020. For example, employers can reduce the remittance that is due to the CRA on April 15, 2020 (if applicable) for any remuneration paid after March 18, 2020.

The subsidy will not affect deductions taken from employees. Employers will continue deducting income tax and all other contributions and premiums as in the normal course. The subsidy is calculated only when employers remit these amounts to the CRA.

Additional Considerations for Eligible Employers

The CRA has stated that it will release more information on how to report this subsidy in the near future. In the meantime, employers should maintain comprehensive records containing the following information in order to support their claim to the subsidy:

- the total remuneration paid between March 18, 2020, and June 20, 2020;
- the federal, provincial, or territorial income tax that was deducted from that remuneration; and
- the number of employees paid in that period.

Additionally, employers who do not wish to take advantage of the subsidy immediately can choose to receive the subsidy at the end of the year or transfer the subsidy to next year's remittance. Employers should also remember that the subsidy does not impact the amount of taxable income that they report during the relevant taxation year.

Future Updates

Our firm continues to closely monitor the developments surrounding the COVID-19 outbreak and will continue to provide further updates as new information becomes available.

Need more information?

For more information regarding workplace management amidst COVID-19 outbreak, contact [Mark Van Ginkel](#) at 416-408-5560, or your regular lawyer at the firm.



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